

## Message Text

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PAGE 01 BERLIN 05609 260752Z  
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03  
SP-02 LAB-04 SIL-01 OMB-01 L-03 DODE-00 PA-01  
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R 251610Z MAR 77  
FM AMEMBASSY BERLIN  
TO SECSTATE WASHDC 4393  
INFO AMEMBASSY BONN  
USMISSION USBERLIN

C O N F I D E N T I A L BERLIN 5609

E.O. 11652: GDS  
TAGS: ETR, PFOR, GE, US  
SUBJECT: PROPOSALS FOR BILATERAL TAX CONVENTION AND JOINT ECONOMIC  
COMMISSION

REF: STATE 061585

1. EMBASSY APPRECIATES OPPORTUNITY TO COMMENT ON  
TAX TREATY AND INTERGOVERNMENTAL COMMISSION QUESTIONS.

2. WE SHARE DEPARTMENT'S VIEW THAT A DOUBLE-TAXATION  
TREATY WOULD BE OF VALUE AS A NON-CONTROVERSIAL PIECE  
OF BUSINESS THAT COULD BE TAKEN UP WITH  
BENEFIT FOR THE OVERALL DEVELOPMENT OF OUR RELATIONS.  
AS DEPARTMENT CORRECTLY NOTES, THE TAX ISSUE IS  
NOT OF GREAT, IF ANY, CURRENT IMPORTANCE.

3. THEREFORE, WE INCLINE TO THE VIEW THAT WE SHOULD  
NOT KICK SLEEPING DOGS THAT MIGHT BE BETTER LEFT LYING.  
THE ONLY US COMPANY WITH PERSONNEL AND AN OFFICE IN  
THE GDR, DOW CHEMICAL, PAYS NO TAXES HERE. AT AN EARLY  
STAGE, THE GDR SUGGESTED THAT THE PERSONAL INCOME OF  
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PAGE 02 BERLIN 05609 260752Z

THE DOW REP WOULD BE SUBJECT TO INCOME TAX OF 20  
PERCENT, BUT THIS QUESTION WAS NOT RAISED AGAIN,  
DOW THINKS BECAUSE THE GDR HOPES EVENTUALLY TO NEGOTIATE  
WITH THE US EXEMPTION FROM US TAXES OF GDR ENTITIES  
OPERATING THERE.

4. IF AN WHEN GDR FIRMS AND PERSONS IN THE US

BECOME SUBJECT TO TAXATION, THE GDR WILL PROBABLY REVIEW ITS TREATMENT OF US ENTITIES IN EAST GERMANY. IT WILL LIKELY DISCOVER WAYS OF RECIPROCATING THE TREATMENT ITS PEOPLE RECEIVE IN THE US. IT SEEMS TO US THAT ONLY AT THAT POINT WILL IT BECOME POSSIBLE TO JUDGE WHETHER A TAX AGREEMENT LIES IN THE INTEREST OF THE US PERSONS AFFECTED.

5. WE FAVOR NEGOTIATING AGREEMENTS WITH THE GDR, BUT WOULD PREFER TO DO SO IN AREAS WHERE THE PRACTICAL RESULTS AND BENEFITS ARE MORE EVIDENT. TREASURY MIGHT, FOR EXAMPLE, WISH TO ENGAGE THE GDR WITH A VIEW TO OBTAINING A GREATER MEASURE OF RECIPROCITY CONCERNING THE TREATMENT OF US HEIRS OF GDR ESTATES AND OTHER HOLDERS OF ASSETS IN THE GDR.

6. ON THE JOINT ECONOMIC COMMISSION, WE AGREE THAT IT WOULD BE DESIRABLE TO LET THE CURRENT STAGE - THE PRIVATE TRADE COMMITTEES STAGE - UNFOLD RATHER THAN SWITCHING CARTS IN MIDSTREAM. WE SEE, MOREOVER, NO PARTICULAR BENEFIT TO THE US IN AN INTER-GOVERNMENTAL COMMISSION WITH THE GDR AT THIS POINT, AND WOULD ARGUE FOR KEEPING THIS IDEA ON THE SHELF UNTIL SUCH TIME AS IT CAN BE TRADED TO THE GDR FOR SOMETHING OF CLEAR BENEFIT TO US COMMERCIAL OR OTHER INTERESTS.  
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## Message Attributes

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**To:** STATE  
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